

Financial Statements

Talbot House Ministries of Lakeland, Inc.

Years Ended June 30, 2023 and 2022

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TALBOT HOUSE MINISTRIES OF LAKELAND, INC.

YEARS ENDED JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Talbot House Ministries of Lakeland, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Talbot House Ministries, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Talbot House Ministries, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Talbot House Ministries of Lakeland, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Talbot House Ministries of Lakeland, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in these circumstances, but not for the purpose of expressing an opinion on the effectiveness of Talbot House Ministries of Lakeland, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Talbot House Ministries of Lakeland, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Ramos & Floyd CPAs PLLC

Lakeland, Florida
November 2, 2023

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

STATEMENTS OF FINANCIAL POSITION

| | June 30, | |
|--|-----------------------------|-----------------------------|
| | <u>2023</u> | <u>2022</u> |
| <u>ASSETS</u> | | |
| Cash | \$ 193,452 | \$ 357,685 |
| Investments | 254,935 | 29,916 |
| Support receivable | 98,176 | 150,358 |
| Other assets | 25,910 | 25,910 |
| Property and equipment, net | 5,545,540 | 5,608,592 |
| Beneficial interest in assets held by others | 271,488 | 219,148 |
| Cash - trustee | 32,824 | 43,133 |
| | <u> </u> | <u> </u> |
| Total assets | <u>\$ 6,422,325</u> | <u>\$ 6,434,742</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Accounts payable | \$ 37,360 | \$ 40,484 |
| Funds held in trust | 32,825 | 43,133 |
| Accrued liabilities | 129,134 | 103,490 |
| Debt | 877,393 | 912,046 |
| | <u> </u> | <u> </u> |
| Total liabilities | 1,076,712 | 1,099,153 |
| Net assets: | | |
| Without donor restrictions | <u>5,345,613</u> | <u>5,335,589</u> |
| | <u> </u> | <u> </u> |
| Total net assets | <u>5,345,613</u> | <u>5,335,589</u> |
| | <u> </u> | <u> </u> |
| Total liabilities and net assets | <u>\$ 6,422,325</u> | <u>\$ 6,434,742</u> |

Read accompanying notes to financial statements.

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|----------------------------------|----------------------------------|-------------------------------|--------------|
| Revenues and other support | | | |
| Contributions and grants | \$ 3,922,369 | \$ - | \$ 3,922,369 |
| Special events | 247,203 | - | 247,203 |
| Program fees | 189,492 | - | 189,492 |
| Services performed | 12,278 | - | 12,278 |
| Other income | 1,400 | - | 1,400 |
| Investment income | 88,321 | - | 88,321 |
| Rent income | 71,120 | - | 71,120 |
| Total revenues and other support | 4,532,183 | - | 4,532,183 |
| Expenses | | | |
| Program: | | | |
| Basic needs | 1,268,058 | - | 1,268,058 |
| Health and disability | 1,009,522 | - | 1,009,522 |
| Supporting work and independence | 1,697,843 | - | 1,697,843 |
| Employee solutions | 287,343 | - | 287,343 |
| Total program expense | 4,262,766 | - | 4,262,766 |
| Management and general | 117,357 | - | 117,357 |
| Fundraising | 142,036 | - | 142,036 |
| Total expense | 4,522,159 | - | 4,522,159 |
| Change in net assets | 10,024 | - | 10,024 |
| Net assets at beginning of year | 5,335,589 | - | 5,335,589 |
| Net assets at end of year | \$ 5,345,613 | \$ - | \$ 5,345,613 |

Read accompanying notes to financial statements.

TALBOT HOUSE MINISTRIES OF LAKE LAND, INC

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|----------------------------------|-------------------------------|--------------|
| Revenues and other support | | | |
| Contributions and grants | \$ 5,097,255 | \$ - | \$ 5,097,255 |
| Special events | 577,329 | - | 577,329 |
| Program fees | 145,753 | - | 145,753 |
| Services performed | 26,042 | - | 26,042 |
| Other income | 500 | - | 500 |
| Investment income | (32,507) | - | (32,507) |
| Rent income | 73,604 | - | 73,604 |
| Net assets released from restrictions | 5,260 | (5,260) | - |
| Total revenues and other support | 5,893,236 | (5,260) | 5,887,976 |
| Expenses | | | |
| Program: | | | |
| Basic needs | 1,466,284 | - | 1,466,284 |
| Health and disability | 1,029,514 | - | 1,029,514 |
| Supporting work and independence | 1,940,172 | - | 1,940,172 |
| Employee solutions | 278,032 | - | 278,032 |
| Total program expense | 4,714,002 | - | 4,714,002 |
| Management and general | 110,446 | - | 110,446 |
| Fundraising | 120,835 | - | 120,835 |
| Total expense | 4,945,283 | - | 4,945,283 |
| Change in net assets | 947,953 | (5,260) | 942,693 |
| Net assets at beginning of year | 4,387,636 | 5,260 | 4,392,896 |
| Net assets at end of year | \$ 5,335,589 | \$ - | \$ 5,335,589 |

Read accompanying notes to financial statements.

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

| | Program Services | | | | | Total | |
|----------------------------------|------------------|-----------------------|----------------------------------|--------------------|------------------------|------------|--------------|
| | Basic Needs | Health and Disability | Supporting Work and Independence | Employee Solutions | Management and General | | Fundraising |
| Personnel | \$ 519,254 | \$ 686,157 | \$ 370,895 | \$ 278,172 | \$ 90,818 | \$ 70,440 | \$ 2,015,736 |
| Occupancy | 152,707 | 70,767 | 145,258 | 3,725 | 10,559 | 960 | 383,976 |
| Supplies | 372,804 | 149,122 | 969,290 | - | 7,849 | 70,636 | 1,569,701 |
| Depreciation | 115,547 | 53,546 | 109,911 | 2,818 | 2,848 | - | 284,670 |
| Office expense | 51,162 | 23,709 | 48,666 | 1,248 | 3,859 | - | 128,644 |
| Equipment rental and maintenance | 18,658 | 8,646 | 17,748 | 455 | 1,408 | - | 46,915 |
| Professional fees | 37,251 | 17,262 | 35,433 | 909 | - | - | 90,855 |
| Interest expense | 675 | 313 | 642 | 16 | 16 | - | 1,662 |
| Total expenses | \$ 1,268,058 | \$ 1,009,522 | \$ 1,697,843 | \$ 287,343 | \$ 117,357 | \$ 142,036 | \$ 4,522,159 |

Read accompanying notes to financial statements.

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

| | Program Services | | | | | Total | |
|----------------------------------|------------------|-----------------------|----------------------------------|--------------------|------------------------|------------|--------------|
| | Basic Needs | Health and Disability | Supporting Work and Independence | Employee Solutions | Management and General | | Fundraising |
| Personnel | \$ 504,045 | \$ 666,059 | \$ 360,032 | \$ 270,024 | \$ 88,000 | \$ 65,000 | \$ 1,953,160 |
| Occupancy | 125,420 | 58,121 | 119,302 | 3,059 | 5,800 | 825 | 312,527 |
| Supplies | 633,917 | 211,306 | 1,267,834 | - | 9,771 | 55,010 | 2,177,838 |
| Depreciation | 94,918 | 43,987 | 90,288 | 2,315 | 1,711 | - | 233,219 |
| Office expense | 53,812 | 24,937 | 51,187 | 1,312 | 3,810 | - | 135,058 |
| Equipment rental and maintenance | 18,558 | 8,600 | 17,653 | 453 | 1,330 | - | 46,594 |
| Professional fees | 34,306 | 15,898 | 32,632 | 837 | - | - | 83,673 |
| Interest expense | 1,308 | 606 | 1,244 | 32 | 24 | - | 3,214 |
| Total expenses | \$ 1,466,284 | \$ 1,029,514 | \$ 1,940,172 | \$ 278,032 | \$ 110,446 | \$ 120,835 | \$ 4,945,283 |

Read accompanying notes to financial statements.

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

STATEMENTS OF CASH FLOWS

| | Year ended June 30, | |
|--|---------------------|-------------|
| | 2023 | 2022 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 10,024 | \$ 942,693 |
| Adjustments to reconcile change in net assets to net cash from (used by) operating activities: | | |
| Depreciation | 284,670 | 233,219 |
| In-kind contributions of investments | (157,083) | (33,382) |
| Net realized and unrealized (gains) losses | (80,145) | 35,003 |
| (Increase) decrease in assets: | | |
| Support and program service receivable | 52,182 | 46,353 |
| Other assets | - | (19,803) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (3,124) | (31,445) |
| Funds held in trust | (10,308) | (51,710) |
| Accrued liabilities | 25,644 | (16,185) |
| Deferred revenue | - | (45,300) |
| Net cash from (used by) operating activities | 121,860 | 1,059,443 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | (221,618) | (1,163,965) |
| Proceeds of investments | 123,849 | 12,990 |
| Purchase of investments | (163,980) | (30,853) |
| Net cash from (used by) investing activities | (261,749) | (1,181,828) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayment of debt | (34,653) | (17,954) |
| Net cash from (used by) financing activities | (34,653) | (17,954) |
| NET CHANGE IN CASH | (174,542) | (140,339) |
| Cash at beginning of year | 400,818 | 541,157 |
| Cash at end of year | \$ 226,276 | \$ 400,818 |
| RECONCILIATION OF CASH ACCOUNTS: | | |
| Cash | \$ 193,452 | \$ 357,685 |
| Cash - trustee | 32,824 | 43,133 |
| Total cash accounts | \$ 226,276 | \$ 400,818 |

Read accompanying notes to financial statements.

TALBOT HOUSE MINISTRIES OF LAKE LAND, INC

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND NATURE OF ACTIVITIES - Since 1979, Talbot House Ministries of Lakeland, Inc. (the "Organization"), a non-profit Florida corporation, has provided programs for emergency and recovery services for the needy. The expanded facilities at 814 North Kentucky Avenue meet the needs of hungry and homeless people. The non-residents are provided with warm meals, showers, clothing, and a bed for the night. Those who decide to commit themselves, with their addictions and problems, to a caring staff may be enrolled in the "Trustee Program."

Special programs such as the Trustee Renewal Program (trained by a professional Renewal Program coordinator), medical clinics (manned by paid staff and volunteer doctors and nurses), life-skills classes, and counseling help each individual take steps toward recovery. The addition of a "Transition House" and Block Building on Kentucky Avenue to replace the "Promise Place" apartment house for persons on SSI and trustees, have provided new opportunities for some to continue their climb to independent living.

Members of the staff, the board of directors, the auxiliary, the many volunteers, and donors work together with compassion and diligence to carry on this ministry. The Organization is supported by churches, organizations, corporate gifts, individual contributions, the United Way, and city, county, and federal governments.

LIQUIDITY - Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash, and liabilities according to the nearness of their maturity, and resulting use of cash.

DONATED MATERIALS, SUPPLIES, AND PROFESSIONAL SERVICES - The Organization receives various contributed materials, supplies, and professional medical services used primarily for providing food, clothing, and medical services and supplies for people in need.

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION - The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions upon which they depend have been met. Government contracts and grants, some of which are cost-reimbursable, are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization was awarded cost-reimbursable grants of \$175,063 that have not been recognized at June 30, 2023 because qualifying expenditures have not yet been incurred. Revenue from special events is recognized when the event takes place. The Organization recognizes revenue from exchange transactions (such as rent income - program fees) when the service is rendered, thereby satisfying the Organization's performance obligation.

A receivable is recognized by the Organization for outstanding invoices or other known amounts due to it. The Organization considers its receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. The Organization does not charge interest on outstanding accounts receivable.

Support receivable at July 1, 2021 was \$196,711.

CASH - Cash consists of cash in banks. At times, the Organization's cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses from these accounts. Negative cash balances are reported as due to the bank.

FEDERAL INCOME TAX - The Organization is exempt from federal and state income taxes as an organization described under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been made in the financial statements. The Organization does not have any uncertain tax positions or unrelated business income.

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TALBOT HOUSE MINISTRIES OF LAKE LAND, INC

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FAIR VALUE MEASUREMENT - The Organization adheres to the Financial Accounting Standards Board Accounting Standards codification, *Fair Value Measurements and Disclosures*, which defines fair value as the price that should be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The standard establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The valuation methodologies used for assets measured at fair value are as follows:

Stock - Stock is carried at fair value based on quoted prices in active markets.

Beneficial Interest in Assets Held by Others - Carrying value is measured at fair value with a valuation technique utilizing market prices at the close of the last business day for the statement period provided by the GiveWell Community Foundation, Inc.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY AND EQUIPMENT - Purchases of property and equipment in excess of \$500 are capitalized at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

NET ASSETS - Net assets, revenues, support, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net assets with donor restrictions - Net assets subject to donor (or certain grantor) restrictions. Some donor-imposed restrictions may be temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

FUNCTIONAL EXPENSES - The Organization allocates its expenses on a functional basis to its programs and support services. Expenses that can be identified with a specific program or support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are primarily allocated based on the amount of employee time involved.

ADOPTION OF NEW ACCOUNTING STANDARD LEASES - The new lease guidance requires the recognition of a right-of-use asset and a lease liability for operating leases. The Organization elected the package of practical expedients, which allowed, among other things, not re-evaluating the classification of existing and expired leases, and not re-evaluating the initial direct costs for existing leases. The Organization did not elect the hindsight practical expedient, which would have allowed the Organization to re-evaluate existing or expired leases based on current information, such as with respect to renewals. Adoption of the new guidance had no effect on the financial statements.

TALBOT HOUSE MINISTRIES OF LAKE LAND, INC

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases for which the Organization is lessee, the liability is calculated using a risk-free discount rate and a comparable period with the lease term for all asset classes. All lease and non-lease components are combined for all leases. Lease payments for leases with a term of 12 months or less are expensed on a straight-line basis over the term of the lease with no lease asset or liability recognized. Only lease options that the Organization believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities.

RECLASSIFICATION - Certain 2022 items may have been reclassified in order to conform with the 2023 financial statement presentation.

MANAGEMENT EVALUATION - Management has evaluated subsequent events through November 2, 2023, the date which the financial statements were available for issuance.

NOTE 2 - AGENCY TRANSACTIONS

The asset account "Cash - trustee" and the liability account "Funds held in trust" represent the cash and rent deposits received by the Organization on behalf of the homeless people. The Organization's policy is to recognize the fair value of the cash received and an offsetting liability until the cash is distributed to the homeless person, at which time the asset and liability are removed from the Organization's books.

NOTE 3 - LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year, comprise the following:

| | <u>2023</u> | <u>2022</u> |
|--------------------|-------------------|-------------------|
| Cash | \$ 193,452 | \$ 357,685 |
| Investments | 254,935 | 249,064 |
| Support receivable | <u>98,176</u> | <u>150,358</u> |
| Total | <u>\$ 546,563</u> | <u>\$ 757,107</u> |

The Organization's investments are highly liquid as there are no preventative lockups or restrictions and they can be readily liquidated to cover operating needs. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its liabilities and other obligations come due.

TALBOT HOUSE MINISTRIES OF LAKE LAND, INC

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The following tables present the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis.

As of June 30, 2023:

| | Level 1 | Level 2 | Level 3 | Total |
|---|------------|---------|------------|------------|
| Stocks | \$ 254,935 | \$ - | \$ - | \$ 254,935 |
| Beneficial interest in assets held by others | - | - | 271,488 | 271,488 |
| Total | \$ 254,935 | \$ - | \$ 271,488 | \$ 526,423 |

As of June 30, 2022:

| | Level 1 | Level 2 | Level 3 | Total |
|---|-----------|---------|------------|------------|
| Stocks | \$ 29,916 | \$ - | \$ - | \$ 29,916 |
| Beneficial interest in assets held by others | - | - | 219,148 | 219,148 |
| Total | \$ 29,916 | \$ - | \$ 219,148 | \$ 249,064 |

For Level 3 fair value measurement, tabular quantitative information about the significant unobservable inputs used in the fair value measurement is required unless the unobservable inputs are not developed by the reporting entity when measuring fair value.

TALBOT HOUSE MINISTRIES OF LAKE LAND, INC

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following tables set forth a summary of changes in the fair value of the Organization's Level 3 assets shown above:

| | |
|---|--------------------------|
| Beneficial interest in assets held by others, June 30, 2021 | \$ 232,822 |
| Capital and other contributions | 28,722 |
| Interest and dividend income | 4,053 |
| Distributions | (12,990) |
| Investment fees | (1,963) |
| Net realized and unrealized gains | <u>(31,496)</u> |
| Beneficial interest in assets held by others, June 30, 2022 | 219,148 |
| Capital and other contributions | 31,956 |
| Interest and dividend income | 4,873 |
| Distributions | - |
| Investment fees | (1,946) |
| Net realized and unrealized gains | <u>17,457</u> |
| Beneficial interest in assets held by others, June 30, 2023 | <u><u>\$ 271,488</u></u> |

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 5 - PROPERTY AND EQUIPMENT

Major classes of property and equipment consist of:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------|----------------------------|----------------------------|
| Buildings | \$ 6,187,914 | \$ 6,187,914 |
| Furniture and equipment | 897,382 | 857,219 |
| Leasehold improvements | 1,723,138 | 476,712 |
| Land | 371,875 | 371,875 |
| Construction in progress | 23,559 | 1,088,530 |
| Vehicles | <u>153,614</u> | <u>153,614</u> |
| Total property and equipment | 9,357,482 | 9,135,864 |
| Less accumulated depreciation | <u>3,811,942</u> | <u>3,527,272</u> |
| Net property and equipment | <u><u>\$ 5,545,540</u></u> | <u><u>\$ 5,608,592</u></u> |

NOTE 6 - LINE OF CREDIT

The Organization has a \$100,000 unsecured revolving credit agreement with a bank. The balance outstanding at June 30, 2023 and 2022 was zero. The note bears interest at the bank's prime lending rate plus 0.5 per annum and is due on demand. Interest paid in cash during the years ended June 30, 2023 and 2022 was \$1,662 and \$3,215, respectively.

NOTE 7 - DEBT

The Organization received funding from the Federal Home Loan Bank in Atlanta (FHLB) under the Affordable Housing Program in the amount of \$500,000. The proceeds were required to be expended on the construction of the Fellowship House. The mortgage is non-interest bearing and is to be forgiven January 2029, provided that the Organization complies with the loan covenants set forth in the agreement.

The Organization received funding from the Federal Home Loan Bank in Atlanta (FHLB) under the Affordable Housing Program in the amount of \$365,000. The proceeds were required to be expended on the construction of the Vermont Place. The mortgage is non-interest bearing and is to be forgiven December 2037, provided that the Organization complies with the loan covenants set forth in the agreement.

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 7 - DEBT (continued)

Additionally, the Organization is obligated on a \$12,393, 4.25% secured by Vermont Place, Truist loan, payable \$655 monthly, including interest. Interest only payments began March 2022 through August 2022 and principal and interest payments begin September 2022 and end February 2026 with a balloon payment.

The aggregate amounts of long-term debt maturing are as follows:

| | | |
|----------------------|----|----------------------|
| Year ending June 30, | | |
| 2024 | \$ | 7,642 |
| 2025 | | <u>4,751</u> |
| Total long-term debt | \$ | <u><u>12,393</u></u> |

NOTE 8 - INVESTMENT INCOME

The components of investment income return are as follows:

| | | |
|--|-------------------------|---------------------------|
| | <u>2023</u> | <u>2022</u> |
| Investment income from interest and dividends | \$ 10,122 | \$ 4,459 |
| Investment fees | (1,946) | (1,963) |
| Net realized gain | 111,024 | 5,920 |
| Net unrealized gain (loss) | <u>(30,879)</u> | <u>(40,923)</u> |
| Total | <u><u>\$ 88,321</u></u> | <u><u>\$ (32,507)</u></u> |

TALBOT HOUSE MINISTRIES OF LAKE LAND, INC

NOTES TO FINANCIAL STATEMENTS

(concluded)

NOTE 9 - INVESTMENT INCOME (continued)

The Organization's investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the value of these investments could occur in the near term. Such changes could materially affect the amount reported in the statements of the Organization.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Organization participates in federal and local programs which are subject to financial and compliance audits to determine compliance with grant requirements. In the event that expenditures would be disallowed, repayment could be required.

NOTE 11 - PANDEMIC

In December 2019, a novel strain of coronavirus, known as COVID-19, was reported in Wuhan, China and has since extensively impacted the health and economic environment. In March 2021, the World Health Organization characterized COVID-19 as a pandemic, and the President declared the COVID-19 outbreak as a national emergency.

The COVID-19 pandemic remains an evolving situation and the extent of the impact of this disease on the Center's operations and financial results will depend on future developments, including the duration and spread of the outbreak within the local, national, and world-wide community, which is uncertain.